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# FY10 Pharmacy Rates, An Overview of the UBO Pharmacy Rate Development Process

17 Aug 2010 @ 0800 and 19 Aug 2010 @ 1400

Presented by the TMA UBO Support Team

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## Presentation Objectives

- Introduce key concepts and definitions for understanding UBO Pharmacy Rates
- Provide background on rate-setting methodology
- Highlight Pharmacy Rate File details
- Demonstrate the Pharmacy Pricing Tool Estimator (PPET)
- Answer your questions



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# UBO Pharmacy Pricing Policy Disclaimer

- The UBO Pharmacy Rate File **does not** limit availability of pharmaceuticals
- It establishes which pharmaceuticals can be billed
- It establishes rate charged if billed



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## Pharmacy Rate Setting Terminology

- The Generic Sequence Number (GSN) refers to a set of National Drug Codes (NDCs) that have the same:
  - Active ingredient(s)
  - Strength
  - Dosage form
- For each GSN cohort, the unit measure price (e.g., price per pill, price per ml, price for each) is used for the individual NDCs to determine the overall unit measure price for the GSN
- The GSN unit measure price is then used to price the individual NDCs in the UBO pharmacy rate file



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## Pharmacy Rate Setting Terminology, cont.

### **Prime Vendor Program (PVP)**

- Reflects actual negotiated contract prices between the federal government and pharmaceutical vendors

### **Average Wholesale Price (AWP)**

- Used currently by TRICARE, Medicaid, most commercial payers, and historically by Medicare
- Data widely available (Red Book, Blue Book)
- Not defined by law or regulation
- Does not account for the discounts available to various payers nor reflects actual costs



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# Current Sources for Pharmacy Pricing Data

**Two data sources are used for setting UBO pharmacy rates:**

## **1. The Managed Care Pricing File (MCPF)**

- A monthly pharmacy data file developed by the Defense Supply Center in Philadelphia (DSC-P)
- Is the basis for current pharmacy rates
- Is modified from its original form (sent by First Databank) to include data such as Prime Vendor Pricing

## **2. The Pharmacy Data Transaction Service (PDTS)**

- PDTS houses pharmacy transactions that provide health care to MHS beneficiaries regardless of dispensing method
- MHS dispensing methods are categorized as: MTF-dispensed, civilian retail pharmacy networks, and TRICARE Mail Order Pharmacy (TMOP)



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## Current Sources for Pharmacy Pricing Data, cont.

### Managed Care Pricing File (MCPF) Details:

- Provided by the Defense Supply Center, Philadelphia (DSC-P) and is the raw source of pharmaceutical data for the UBO pharmacy rate development process
- Provides Average Wholesale Price (AWP), Prime Vendor Program (PVP) or Federal Supply Service (FSS) cost data for each National Drug Code (NDC)
- MCPF AWP is reduced 15% from the original AWP cost supplied by First Databank (which provides the raw monthly Rx data to DSC-P)
- Unit measure cost (i.e., cost per pill) is derived from the NDC, cost and the package size/case pack size
- The UBO pharmacy rate file includes both prescription and over-the-counter (OTC) pharmaceuticals





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## Current Sources for Pharmacy Pricing Data, cont.

### Pharmacy Data Transaction Service (PDTS) Details:

- The PDTS database represents pharmacy transactions that provide health care to MHS beneficiaries regardless of the method of dispensing (i.e., MTF-dispensed, civilian retail pharmacy networks, and TRICARE Mail Order Pharmacy (TMOP)\*)
- When a pharmaceutical is dispensed through the civilian retail pharmacy network, the MHS receives a record of that script, which is housed within PDTS
- Dispensing record includes Submitted Ingredient Cost (the dollar amount allowed by TRICARE) which is defined as: the pharmaceutical ingredient cost as negotiated by the PBM (Pharmacy Benefit Manager) and the pharmacy\*

\* SOURCE: Pharmacy Data Transaction Service (PDTS) Interface Control Document Describing the Data Exchange to the MDR Baseline – Approved Version March 23,2007.





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## Current Sources for Pharmacy Pricing Data, cont.

### Benefits of Using Retail PDTS Data

- PDTS retail prices provide an accurate snapshot of TRICARE retail pharmacy reimbursement
- PDTS data is part of a standard corporate system and is available and auditable



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## UBO Pharmacy Pricing Objective

To develop a UBO pharmacy rate methodology that will price pharmaceuticals in a manner comparable to what TRICARE will allow for similar pharmaceuticals

- Methodology must be developed based on readily available MHS data sources
- Methodology must be readily applicable to the broad spectrum of pharmaceuticals used in the MHS – i.e., all of the NDCs in the Managed Care Pricing File (MCPF)
- Methodology must be auditable



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## UBO Pharmacy Pricing History

Period	Unit Measure Price of All NDCs with a GSN	Dispensing Fee	Other
2004 & 2005	Lowest	Added	Includes OTCs
2006	Median	Added	Includes OTCs
Jul 2007	Median AWP	None	Excludes OTCs
Jan 2008	Median AWP	None	Includes diabetic OTCs only
Oct 2008	Median AWP	None	Includes OTCs
Jan 2010	Median Retail PDTs	\$2.00	Includes OTCs
Aug 2010	Median Retail PDTs	\$2.00	Includes OTCs



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# UBO Pharmacy Pricing Methodology

## General Rules

Unit of measure (i.e., per tablet price) is median Average Wholesale Price (AWP) of all National Drug Codes (NDCs) within a Generic Sequence Number (GSN). That rate applies to all NDCs within that GSN.

- A GSN is a grouping of all NDCs with the same active ingredient(s), strength, and dosage form
- If no AWP for a GSN, then the median Prime Vendor Price (PVP) is used
- The AWP includes supply, personnel, and facility costs



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# UBO Pharmacy Pricing Methodology, cont.

## Current UBO Retail PDTs Pharmacy Rating Methodology:

- Begin with a monthly full release of the DSC-P Managed Care Pricing File (e.g., for the August 2010 rate update, the 1 April 2010 MCPF release was the source data file)
- Group NDCs by Generic Sequence Number (GSN) and Unit of Measure (UM) into cohorts
- Median unit measure price based on AWP-priced NDCs is determined for each cohort and applied to all NDCs in the cohort. **If there is not at least one AWP-priced NDC in the cohort, the median unit measure price based on PVP-priced NDCs is determined for each cohort and applied to all NDCs in the cohort**
- The raw file is then processed to apply median AWP (or PVP) prices to all NDCs in the GSN/UM cohorts



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# UBO Pharmacy Pricing Methodology, cont.

## Current UBO Retail PDTs Pharmacy Rating Methodology:

- Extract the Retail PDTs data set (Using Source System = "M") including fields: NDC, Ingredient Cost, and Quantity Dispensed
- Calculate retail PDTs unit measure prices at a NDC level for the approx. 30,000 drugs by dividing ingredient cost by quantity
- Group the retail PDTs unit measure prices by NDC into their respective GSN cohorts
- Calculate the median PDTs Retail unit measure price for each GSN cohort (of grouped NDCs) and create a unique table of GSN and PDTs median unit measure prices



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## UBO Pharmacy Pricing Methodology, cont.

### Current UBO Retail PDTs Pharmacy Rating Methodology:

- Apply the derived GSN PDTs Retail unit measure prices to all NDCs in the MCPF where the GSN of the NDC in the MCPF matches a GSN in the PDTs Retail set
- Calculate the average dispensing fee based on PDTs Retail scripts filled by dividing the total dispensing dollar amount by the number of retail scripts
- Determine the final charge as the sum of the NDC unit measure price applied to the quantity dispensed plus a dispensing fee





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# Sample UBO Pharmacy Rate File

NDC	NAME	DOSE FORM	RX STRENGTH	0909 UNIT PRICE	PRICING FLAG
00002060440	SEROMYCIN 250 MG PULVULE	CA		\$5.24	PDTS PRICE SOURCE
00002140701	QUINIDINE GLUC 80 MG/ML VIAL	HV		\$1.34	SINGLE SOURCE PRICE USED
00002148501	CAPASTAT SULFATE 1 GM VIAL	HS		\$22.61	AWP PRICE USED
00002300475	PROZAC WEEKLY 90 MG CAPSULE	CE		\$14.30	PDTS PRICE SOURCE
00002314530	AXID 300 MG PULVULE	CA		\$1.27	PDTS PRICE SOURCE
00002322730	STRATTERA 10 MG CAPSULE	CA		\$4.47	PDTS PRICE SOURCE
00002322830	STRATTERA 25 MG CAPSULE	CA		\$2.24	PDTS PRICE SOURCE
00002322930	STRATTERA 40 MG CAPSULE	CA		\$4.76	PDTS PRICE SOURCE
00002323030	SYMBYAX 3-25 MG CAPSULE	CA		\$7.42	PDTS PRICE SOURCE
00002323101	SYMBYAX 6-25 MG CAPSULE	CA		\$10.20	PDTS PRICE SOURCE
00002323130	SYMBYAX 6-25 MG CAPSULE	CA		\$10.20	PDTS PRICE SOURCE
00002323133	SYMBYAX 6-25 MG CAPSULE	CA		\$10.20	PDTS PRICE SOURCE
00002323201	SYMBYAX 12-25 MG CAPSULE	CA		\$15.34	PDTS PRICE SOURCE
00002323230	SYMBYAX 12-25 MG CAPSULE	CA		\$15.34	PDTS PRICE SOURCE
00002323233	SYMBYAX 12-25 MG CAPSULE	CA		\$15.34	PDTS PRICE SOURCE
00002323301	SYMBYAX 6-50 MG CAPSULE	CA		\$10.19	PDTS PRICE SOURCE
00002323330	SYMBYAX 6-50 MG CAPSULE	CA		\$10.19	PDTS PRICE SOURCE
00002323333	SYMBYAX 6-50 MG CAPSULE	CA		\$10.19	PDTS PRICE SOURCE
00002323401	SYMBYAX 12-50 MG CAPSULE	CA		\$15.41	PDTS PRICE SOURCE
00002323430	SYMBYAX 12-50 MG CAPSULE	CA		\$15.41	PDTS PRICE SOURCE
00002323433	SYMBYAX 12-50 MG CAPSULE	CA		\$15.41	PDTS PRICE SOURCE
00002323560	CYMBALTA 20 MG CAPSULE	CE		\$3.71	PDTS PRICE SOURCE
00002323701	CYMBALTA 60 MG CAPSULE	CE		\$4.09	PDTS PRICE SOURCE
00002323704	CYMBALTA 60 MG CAPSULE	CE		\$4.09	PDTS PRICE SOURCE
00002323730	CYMBALTA 60 MG CAPSULE	CE		\$4.09	PDTS PRICE SOURCE
00002323733	CYMBALTA 60 MG CAPSULE	CE		\$4.09	PDTS PRICE SOURCE
00002323734	CYMBALTA 60 MG CAPSULE	CE		\$4.09	PDTS PRICE SOURCE
00002323830	STRATTERA 18 MG CAPSULE	CA		\$4.47	PDTS PRICE SOURCE



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## August 2010 Pharmacy Rate File Summary

- The August 2010 UBO pharmacy rate file is
  - Based on the April 2010 Managed Care Pricing File (MCPF)
  - Contains unit measure rates for 123,286 NDCs
    - 25% of the NDCs (30,614) are priced based on median AWP pricing
    - 72% of the NDCs (88,315) are priced based on PDTS median pricing
    - 3% of the NDC (3,769) are priced based on median PVP pricing
    - <1% of the NDCs (588) are priced based on single source pricing



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## August 2010 Pharmacy Rate File Summary, cont.

- Breakdown of the 34,971 NDCs NOT priced using Retail PDTs median pricing:
  - Approximately 80% are Over-the-Counter Priced NDCs
  - Approximately 20% are Formulary Priced (require a prescription) NDCs
- The Managed Care Pricing File (MCPF) database field CL\_CD identifies whether these NDCs are over-the-counter drugs or formulary drugs. This is an original data field in the MCPF.



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## UBO PDTs Retail Dispensing Fee Methodology

UBO per script dispensing fee is determined utilizing the same PDTs Retail Rate calculation methodology:

- Query the PDTs database using SAS program
- Extract the following fields: FY, Source System (= 'M'), NDC, Dispensing Fee, Number of Scripts
- Divide the Total Dispensing Fee Cost (\$ amount) by the total number of scripts (cost and script count limited to only retail-filled scripts)
- Round resulting Average Retail Dispensing Fee up to the nearest dollar, e.g., round \$1.85 to \$2.00



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# Sample Rounded UBO Dispensing Fee Computation

\$1.85 Rounded to \$2.00

MDR PDTS Retail (Source System = 'M') Dispensing Fee Data				
Time Period: FY09				
NDC	NDC Count	Total NDC Count	Total Cost Dispense Fee Per NDC	Mean Dispense Fee per NDC
99207046330	124.00	124.00	\$231.75	\$1.868951613
99207046430	35.00	35.00	\$65.10	\$1.860000000
99207048805	2.00	2.00	\$0.00	\$0.000000000
99207049010	8.00	8.00	\$10.00	\$1.250000000
99207049110	3.00	3.00	\$6.50	\$2.166666667
99207049250	26.00	26.00	\$48.25	\$1.855769231
99207050117	1.00	1.00	\$2.50	\$2.500000000
99207050413	1.00	1.00	\$2.50	\$2.500000000
99207050644	1.00	1.00	\$2.50	\$2.500000000
99207050646	5.00	5.00	\$9.00	\$1.800000000
99207050713	1.00	1.00	\$1.50	\$1.500000000
99207051117	1.00	1.00	\$0.00	\$0.000000000
99207051413	1.00	1.00	\$2.00	\$2.000000000
99207051414	1.00	1.00	\$2.00	\$2.000000000
99207051417	2.00	2.00	\$4.00	\$2.000000000
99207052510	1,043.00	1,043.00	\$1,871.30	\$1.794151486
99207052530	979.00	979.00	\$1,826.60	\$1.865781410
99207052560	2,048.00	2,048.00	\$3,713.70	\$1.813330078
99207074106	342.00	342.00	\$571.75	\$1.671783626
99207074112	290.00	290.00	\$488.68	\$1.685103448
99207074404	314.00	314.00	\$581.70	\$1.852547771
99207074530	149.00	149.00	\$243.90	\$1.636912752
99207074560	303.00	303.00	\$557.70	\$1.840594059
	72,177,913.00	72,177,913.00	\$133,816,832.78	\$1.853985897





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# Pharmacy Pricing Estimator Tool (PPET)

## Determines Pharmaceutical Pricing Prospectively:

- Problem: Patients may not have MHS pharmaceutical pricing data and therefore cannot compare costs
- Proposed solution: MTF pharmacy can work with MTF UBO to make PPET available to paying patients so that they can input data and compare costs
- The current PPET, effective 9 August 2010, is available at the UBO Web site:  
[http://www.tricare.mil/ocfo/mcfs/ubo/mhs\\_rates/pharmacy.cfm](http://www.tricare.mil/ocfo/mcfs/ubo/mhs_rates/pharmacy.cfm)



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## Pharmacy Pricing Estimator Tool (PPET)

- A Microsoft Access-based tool available to all users from their desktops
- Patients can research prescription costs and compare prices
- Can search by drug name or NDC
- Resulting total cost is the unit price in the pharmacy rate file multiplied by the quantity
- The TRICARE UBO Program Office releases a new version of the PPET along with each annual pharmacy rate table update





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# Pharmacy Pricing Estimator Tool (PPET)

## Interactive Tool Demonstration



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# QUESTIONS?

Please contact the UBO Helpdesk if you have any questions or concerns at (703) 575-5385 or [UBO.helpdesk@altarum.org](mailto:UBO.helpdesk@altarum.org).

